

**OFFICE OF THE
DIRECTOR GENERAL AUDIT SINDH**
1st Floor, Pakistan Audit & Accounts Complex, Gulshan-e-Iqbal, Block-11,
Main University Road, Karachi.
Ph: 021-99244751, Fax: 021-99244855

No DGAS/SSAC/FAP /2020-21/56/-

Dated: 6-11-2021

The Secretary,
Transport & Mass Transit Department,
Government of Sindh, Karachi

**Subject: FOREIGN AIDED PROJECT (FAP) AUDIT REPORT ON THE
ACCOUNTS OF "KARACHI MOBILITY PROJECT, KARACHI" FOR
THE FINANCIAL YEAR 2020-21**

Kindly find enclosed FAP Audit report on the accounts of "Karachi Mobility Project, Karachi" for the Financial Year 2020-21.

2. It is requested that DAC meeting may kindly be convened to discuss the above report at the earliest, so that management viewpoint is incorporated in the final report.
3. Working papers (3 sets) for DAC meeting may kindly be furnished to this office well before schedule date of DAC meeting.
4. This issues with the approval of Director General.

No. Encl 13592

Encl: As above

-sd/-
Nisar Ahmed Soomro
Director

8.11.21
2021

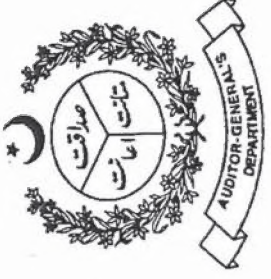
✓ *Copy for information & necessary action to:*

The Project Director, Karachi Mobility Project, Bangalow No.D-43/1, Lane-03, Clifton Block-02, Karachi.

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Dairy No. 415
Dated: 28-11-2021

28/11/2021
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Nisar Ahmed Soomro
Director



Financial Attest Audit Report
on the Accounts of
Karachi Mobility Project
World Bank
Loan Nos.8995-PK
Transport & Mass Transit Department,
Government of Sindh
For the Financial Year 2020-21

Auditor- General of Pakistan Islamabad

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Abbreviations & Acronyms

AGP	Auditor-General of Pakistan
BRT	Buss Rapid Transit
CO ₂	Carbon dioxide Gas
ECNEC	Executive Committee of the National Economic Council
FTC	Finance & Trade Center
F.Y	Financial Year
GFR	General Financial Rule
GoS	Government of Sindh
IBRD	International Bank for Reconstruction and Development
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
JICA	Japan International Cooperation Agency
KCR	Karachi Circular Railway
KPT	Karachi Port trust
KUTMP	Karachi Urban Transport Master Plan
M&E	Monitoring & Evaluation
MRT	Mass Rapid Transit
NOC	No Objection Certificate
OM	Observation Memo
PAD	Project Appraisal Document
PC-I	Planning Commission Proforma I
PC-II	Planning Commission Proforma II
PD	Project Director
PKR	Pakistan Rupees
SMTA	Sindh Mass Transit Authority
T&MTD	Transport and Mass Transit Department
US	United States of America
WB	World Bank

P R E F A C E

The Auditor-General conducts audit in terms of Articles 169 and 170(2) of the Constitution of the Islamic Republic of Pakistan 1973, read with Sections 8 and 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001. The audit of Karachi Mobility Project, Government of Sindh funded by IBRD Loan No.8995-PK, was carried out accordingly.

The Directorate General Audit Sindh Karachi conducted audit of the Karachi Mobility Project, Transport & Mass Transit Department, Government of Sindh funded by IBRD loan No.8995-PK during September 2021 for the Financial Year 2020-21 with a view to report significant findings to stakeholders. Audit examined the economy, efficiency, and effectiveness aspects of the Karachi Mobility Project. In addition, Audit also assessed, on test check basis whether the management complied with applicable laws, rules, and regulations in managing the project. The Audit Report indicates specific actions that, if taken, will help the management realize the objectives of the project. The audit observations included in this report have been finalized in the light of discussion in Exit Conference meeting.

The Report consists of two parts. Part-I contains Auditor's Report (Audit opinion) and Financial Statements. Part-II contains Executive Summary, Management Letter and Audit Findings & recommendations.

The Audit Report has been prepared for submission to the World Bank in terms of Loan Agreements, Loan No.8995-PK.



(Taufique Ali Abbasi)
Director General

Dated: 16 - 11 - 2021
Place: Karachi

PART-I

1. PROJECT OVERVIEW
2. AUDITOR'S REPORT TO THE MANAGEMENT
3. FINANCIAL STATEMENTS

PROJECT OVERVIEW

Name of Project:	Karachi Mobility Project
Sponsoring Authority:	World Bank
Executing Agency:	Sindh Mass Transit Authority, Government of Sindh
IBRD Loan Numbers:	IBRD Loan No.8995-PK
PC-1 Cost:	\$438.900 million (Rs61,436.000 million)
Date of Commencement:	23 rd December, 2019
Actual Date of Commencement:	23 rd December, 2019
Date of Completion (as per PC-I):	30 th September, 2025
Date of Approval by ECNEC:	2 nd October, 2019
Loan Closing Date:	31 st December, 2025
Loan Utilization Status in F.Y 2019-20	Nil
Progressive Expenditure upto last F.Y 2020-21	Rs6.997 million

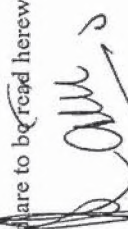
Project Management Team
Karachi Mobility Project - Yellow Line BRTS
Loan No.IBRID 8995 PK
Statement of Receipts and Payments
For the Period ended 30 June 2021

Amounts in Pak Rupees

Note	2020-21		2019-20	
	Receipts(Payments) Controlled by Project	Receipts(Payments) Controlled by Project	Receipts(Payments) Controlled by Project	Receipts(Payments) Controlled by Project
<u>Receipts</u>				
5	492,944,700			-
6	50,000,000			-
	38,930,000			-
	-			-
	581,874,700			-
<u>Payments</u>				
7	-			-
8	-			-
9	6,997,322			-
	-			-
	6,997,322			-
<u>Total Payments</u>				
	574,877,378			-
	-			-
11	(81,932,678)			-
	492,944,700			-

The accompanying notes form an integral part of these financial statements and are to be read herewith

Wahid


 (Umar Bhatti)
 Project Director
 PROJECT DIRECTOR
 YELLOW LINE BRTS
 GOVT OF SINDH

Project Management Team
Karachi Mobility Project - Yellow Line BRTS
Loan No.IBRID 8995 PK
Statement of Receipts and Payments
For the Period ended 30 June 2021

Amounts in Pak Rupees

Note	2020-21		2019-20	
	Receipts(Payments) Controlled by Project	Receipts(Payments) Controlled by Project	Receipts(Payments) Controlled by Project	Receipts(Payments) Controlled by Project
<u>Receipts</u>				
5	492,944,700	-	-	-
6	50,000,000	-	-	-
	38,930,000	-	-	-
	-	-	-	-
	581,874,700	-	-	-
<u>Total Receipts</u>				
<u>Payments</u>				
7	-	-	-	-
8	-	-	-	-
9	6,997,322	-	-	-
	-	-	-	-
	6,997,322	-	-	-
<u>Total Payments</u>				
	574,877,378	-	-	-
	-	-	-	-
11	(81,932,678)	-	-	-
	492,944,700	-	-	-

The accompanying notes form an integral part of these financial statements and are to be read herewith

10/11

(Imran Bhatti)
Project Director
PROJECT DIRECTOR
YELLOW LINE BRTS
TRANSIT AUTHORITY
GOVT OF SINDH

Project Management Team
Karachi Mobility Project- Yellow Line BRTS
Loan No.IBRID 8995 PK
Notes to the Financial Statements
For the Period ended 30 June 2021

1 Reporting Entity

The financial statements are for Project Implementation Unit Karachi Mobility Project - Yellow Line BRTS. The financial statement encompasses the reporting entity as defined in the Financing Agreement between the Islamic Republic of Pakistan and the World Bank.

As per Project Appraisal Document (PAD)	
Project Implementation Period	88-months
Date of Approval	2-Oct-19
Signing Date	26-Nov-19
Former Closing Date	25-May-26

2 Certificate by Project Management on Application of Funds

The cash/ funds received and expenditure paid during the period ended on 30th June, 2021, in all material respect were meant for the purpose, intended in Loan No.IBRID LOAN 8995 PK in collaboration with Government of Sindh's Financing

Exchange Rate Effective April 30, 2019

Currency PKR 141.65 = US \$ 1 and US \$ 1 = SDR 0.721626

Disbursed Currency PRK 164.3149 = US \$ 1 dated. 10-07-2020

3 Accounting Convention and Statement of Compliance

The financial statements have been prepared in accordance with Cash basis accounting standards i.e. IPSAS

Financial Reporting under the Cash Basis of Accounting-IPSAS has been followed.

The accounting policies have been applied consistently throughout the period.

4 Significant Accounting Policies

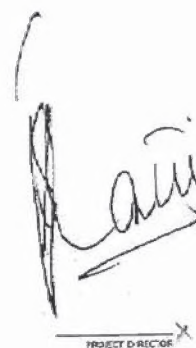
Revolving Funds Assignment Accounts for Foreign Currency WB, and Lapsable Assignment Account for Local Currency Counterpart GoS Funds

4.1 Foreign Currency Transaction

Foreign Currency Transactions are converted and recorded as per Revolving Funds Accounts (RFA) Policy issued by Finance Department GoS/GoP for Foreign Currency Assignment Accounts.

4.2 Reporting Currency

The accounts are maintained in Pak Rupees.



PROJECT DIRECTOR

4.3 Revenue Recognition

Revenue is recognized on the date of receipt of money by bank or clearance of cheque.
Revenue is recognized on gross basis and any related costs are recorded separately.

4.4 Recognition of Expenditure.

Expenditure is recognized on the date when cheque is issued. Financial year to which the payments pertain is determined by the date on which a cheque is issued.

4.5 Employee Terminal Benefits

Service benefits or government deputations employees are accounted for in their respective departments while no service terminal benefits are paid to the contractual employees.

4.6 Payments by Third Party

The Payment made by third parties do not constitute cash receipts or payments controlled by the Project but do benefit the Project as the Project does not received cash (including cash equivalents) directly from, or gain control of the bank accounts or similar facility established for its benefit by, the third parties. Payments by third parties, if any, are disclosed in the Payments by third parties column on the face of statement of cash receipts and payments and notes to the financial Statement (if any).

There is no Third Party Payment in the Current Financial Year. i.e. 2020-21

5 External Assistance

External assistance was received in the form of Credit from the World Bank under Loan agreement dated 19/11/2019 between the World Bank and Government of Pakistan (GOP) for the purpose of Karachi Mobility Project Yellow Line BRTS. The Following amounts were received by the Project during the period.

	Note	2020-21	2019-20
		Amount in Pak Rupees	
Disbursement from World Bank	5.1	492,944,700	-
Direct Payment from World Bank	5.2	-	-
		<u>492,944,700</u>	<u>-</u>

This represents funds transferred to the Karachi Mobility Project - Yellow Line BRTS Designated US Dollar Bank Account by the World Bank on the basis of
5.1 Withdrawal Application submitted by the Project.

Direct payments represent amount paid directly by the World Bank on behalf of the project in respect of goods and services procured/imported by the Project. The
5.2 payments were made on basis of Withdrawal Application submitted by the Project.

There is no Direct Payment in the current Financial Year. i.e. 2020-21


X PROJECT DIRECTOR

6 Counterpart Funds

Government of Sindh (GoS) - Capital Component
 Government of Sindh (GoS) - Revenue Component
 Government of Sindh (GoS) - Revenue Component Re-
 appropriated/Deducted
 Government of Pakistan (GoP)

	2020-21	2019-20
	Amounts in Pak Rupees	
6.1	50,000,000	-
6.2	38,930,000	-
	-	-
	-	-
	88,930,000	-

6.1 This represents funding to the Karachi Mobility Project - Yellow Line BRTS at 12% of the Project Cost by the Government of Sindh (GoS) as agreed between the World Bank

7 Component 1: Urban Road Infrastructure

a. Yellow Corridor
 b. Off-Corridor improvements
 c. Utilities relocation
 d. Vendors Compensation Plan
 e. Environmental Management Plan
 f. Detailed design, Bidding documents and construction supervision
 g. Third Party Monitoring
 h. Physical Contingencies
 i. Price Contingencies

	2020-21	2019-20
	Amounts in Pak Rupees	
7.1	-	-
7.2	-	-
7.3	-	-
7.4	-	-
7.5	-	-
7.6	-	-
7.7	-	-
7.8	-	-
7.9	-	-
	-	-

8 Component 2: Development and Operationalization of a BRT System

a. BRT Infrastructure (busways, stations, depots)
 b. ITS, Fare collection and other equipment
 c. Rolling stock
 d. Social Management Plan - Compensation for Existing Bus Operators
 e. TA for GBV and Gender Action Plan
 f. TOD strategy along the Yellow BRT corridor alignment and area of influence
 g. TA - PPP Transaction Advisory Services
 h. Stakeholder engagement, public relation and media strategy
 i. Physical Contingencies
 j. Price Contingencies

	2020-21	2019-20
	Amounts in Pak Rupees	
8.1	-	-
8.2	-	-
8.3	-	-
8.4	-	-
8.5	-	-
8.6	-	-
8.7	-	-
8.8	-	-
8.9	-	-
8.10	-	-
	-	-

PROJECT DIRECTOR

9 Component 3: Capacity Building and Technical Assistance

- a. Project Management
- b. TA – Traffic management and Road Safety
- c. TA – Regional Transport Authority
- d. Capacity building to SMTA and Institutional Strengthening

	2020-21	2019-20
	Amounts in Pak Rupees	
9.1	6,997,322	-
9.2	-	-
9.3	-	-
9.4	-	-
9.5	-	-
	-	-
	6,997,322	-

Component 3: Capacity Building and Technical Assistance
a. Project Management

9.1 Employees Related Expense

- Remunerations to the Individual Consultants Specialist
- Pay of Officers/Officials Regular
- Pay of Contractual Staff
- Pay of Contingency Staff
- Medical Reimbursement
- Honorarium
- Pension Contribution

	2020-21	2019-20
	Amounts in Pak Rupees	
	-	-
	-	-
	-	-
	-	-
	-	-
	-	-
	-	-
	-	-

9.2 Physical Assets

- Purchase of Computer Hardware & Accessories
- Purchase of Software
- Purchase of Machinery & Equipment
- Purchase of Furniture and Fixture & Accessories

	2020-21	2019-20
	Amounts in Pak Rupees	
	522,419	132,590
	-	-
	479,140	-
	959,985	-
	1,961,544	132,590

Handwritten signature/initials

9.3 Supervision and Consultancies

Contract Management and Construction Supervision Consultants
Monitoring and Evaluation Consultants
Consultancy for Developing Parking Strategy
Study for Karachi Urban Mobility Project

2020-21 2019-20
Amounts in Pak Rupees

- -
- -
- -
- -
- -

9.4a General Operating Expenditure

Electronic Communication
Telephone and Trunk Calls
Advertisement and Publicity
Printing and Publication
POL
Uniform and Protective Clothing
Conference/Seminars/Workshops/Symposi
Stationary
Travelling Allowance
Training Domestic
Water charges
Newspapers and Books
Entertainment and Gifts
Gas Charges
Electricity
Rent for Office Building
Other Expenses
Services Charges
Vehicle Insurance
Rates & Taxes
Vehicle Registration

2020-21 2019-20
Amounts in Pak Rupees

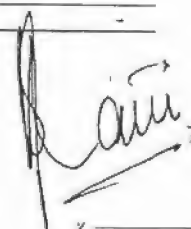
- -
- -
- -
82,859 -
1,390,527 -
- -
585,007 -
492,403 -
- -
- -
- -
- -
- -
- -
- -
- -
- -
- -
539,705 -
440,700 -
- -
- -
- -
3,531,201 -

9.4b Supplies and Cosumables

Repair and Maintenance Transport
Repair and Maintenance Furniture and Fixtures
Repair and Maintenance Hardware

2020-21 2019-20
Amounts in Pak Rupees

405,497 -
559,957 -
539,123 -
1,504,577 -


X

10 Security Deposit

No Security Deposit has been paid

2020-21 2019-20
Amounts in Pak Rupees

-	-
-	-

11 Cash And Bank

World Bank funds available at Beginning of the Year
Funds received during the Period from WB
Funds received during the Period from GoS Capital Component
Funds received during the Period from GoS Revenue Component
Total Available Funds
Expenditures incurred from WB Funds
Expenditures incurred from GoS Capital Component
Expenditures incurred from GoS Revenue Component
Re-Appropriation/Deduction from Released Funds GoS Revenue Component
Re-Appropriation/Deduction from Released Funds GoS Capital Component
Funds Surrendered from GoS Capital Component
Funds Surrendered from GoS Revenue Component
World Bank undrawn funds at the end of year

11.01
11.02
11.03
11.04
11.05
11.06
11.07
11.08
11.09
11.10
11.11
11.12
11.13

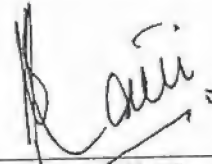
2020-21 2019-20
Amounts in Pak Rupees

-	-
492,944,700	-
50,000,000	-
38,930,000	-
581,874,700	-
-	-
-	-
6,997,322	-
-	-
-	-
50,000,000	-
31,932,678	-
492,944,700	-

Rain

12 General

- 12.1 Figures have been rounded off to the nearest rupee.
12.2 Comparative figures have been re-arranged where necessary for the purpose of comparison and transparency.
12.3 Karachi Mobility Project - Yellow Line BRTS has two Assignment Accounts (i) Local Currency (ii) Foreign Currency being maintained at NBP, Income Tax Bldg Branch (0085) Khi.
12.4 There is no any defalcation or losses
12.5 There is no any Contingent Liability
12.6 ADP: 1908 for year 2020-21 & 2279 for year 2019-20 (Unapproved)




(Imran Bhatti)
Project Director
PROJECT DIRECTOR
YELLOW LINE BRTS
SINDH MASS TRANSIT AUTHORITY
GOVT OF SINDH

Project Management Team
Karachi Mobility Project - Yellow Line BRT'S
Loan No.IBRID 8995 PK
Statement of Comparison of Budget and Actual Amounts
For the Period ended 30 June 2021

Note	2020-21		2019-20	
	Budget Amount	Actual Amount	Budget Amount	Actual Amount
Receipts				
External Assistance (WB)/Opening Balance	3,300,000,000	492,944,700	750,000,000	-
Government of Sindh (GoS) - Capital Component	100,000,000	50,000,000	250,000,000	-
Government of Sindh (GoS) - Revenue Component	78,060,000	38,930,000	25,000,000	-
Fund from GoP				
Total Receipts	3,478,060,000	581,874,700	1,025,000,000	-
Payments				
Component 1: Urban Road Infrastructure	1,700,000,000	-		-
Component 2: Development and Operationalization of a BRT System	1,700,000,000	-		-
Component 3: Capacity Building and Technical Assistance	78,060,000	6,997,322		-
Total Payments	3,478,060,000	6,997,322		-

The accompanying notes form an integral part of these financial statements and are to be read herewith

X

 Project Director
 PROJECT DIRECTOR
 YELLOW LINE BRTS
 SINDH MASS TRANSIT AUTHORITY
 GOVT OF SINDH

PART-II

COVERING LETTER TO THE MANAGEMENT LETTER

EXECUTIVE SUMMARY

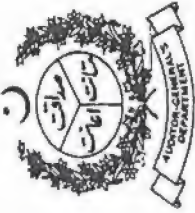
MANAGEMENT LETTER

1. Introduction
2. Audit Objectives
3. Audit Scope and Methodology
4. AUDIT FINDINGS AND RECOMMENDATIONS
 - 4.1 Organization Management
 - 4.2 Financial Management
 - 4.3 Procurement and Contract Management
 - 4.4 Construction Management
 - 4.5 Asset Management
 - 4.6 Monitoring and Evaluation (M&E)
 - 4.7 Compliance with loan covenants
 - 4.8 Environment
 - 4.9 Sustainability
 - 4.10 Overall Assessment

5. FOLLOW UP OF PRIOR AUDIT RECOMMENDATIONS

6. CONCLUSION

ACKNOWLEDGEMENT



**OFFICE OF THE
DIRECTOR GENERAL AUDIT SINDH**
1st Floor, Pakistan Audit & Accounts Complex, Gulshan-e-Iqbal, Block-11,
Main University Road, Karachi.
Ph: 021-99244751, Fax: 021-99244855

No. DGAS/FAP/KMP/2021-22 / 561-


Date. 16-11-2021

✓ Project Director,
Karachi Mobility Project.
Bungalow No.D-43/1, Lane 3,
Clifton Block-2, Karachi.
Tel.No-021-9933207-8

Subject: Management letter in respect of Karachi Mobility Project

We have recently completed our audit of the financial statements of Karachi Mobility Project, funded by World Bank Loan No. 8995-PK for the year ended June 30, 2021. In planning and performing our audit of the financial statements of the project, we considered internal control and other issues in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

During our audit, we noted certain matters involving internal control and other operational matters that are presented in the report for your consideration. These comments and recommendations, all of which have been discussed with Project Management, are intended to improve internal control and policies which result in cost controls and operating efficiencies.


(Taufique Ali Abbasi)
Director General

Copy for information and necessary action to the Secretary, Transport & Mass Transit Department,
Government of Sindh, Karachi

(Taufique Ali Abbasi)
Director General

EXECUTIVE SUMMARY

The Director General Audit Sindh, Karachi conducted audit of Karachi Mobility Project, IBRD Loan No. 8995-PK in September 2021 covering the financial year 2020-21. The main objectives of the audit were to express an opinion on financial statements of the project, to assess whether project was managed with due regard to economy, efficiency and effectiveness, to review project performance against the intended objectives, to review compliance with applicable rules, regulations and procedures. The audit was conducted in accordance with the International Organization of Supreme Audit Institutions auditing standards.

Karachi Mobility Project initiated by Government of Sindh with financial assistance of World Bank. The IBRD Loan is aimed at to improve mobility, accessibility and safety along the Yellow BRT corridor alignment.

Key audit finding

- Non-functioning of project within the set organization & management framework.
- Non-completion of planned activities within the time line.
- Non-functioning / non-existence of monitoring & evaluation mechanism.
- Incurring expenditure without observing codal formalities and maintaining subsidiary record.

Recommendations

- Effective measures be taken to functionalize project in line with organization & management framework.
- Effective measures be taken in order to initiate project activities in line with project implementation schedule.
- Establishing proper monitoring & evaluation setup in line with project agreement.
- Strengthening internal controls to increase the performance and efficiency of the project as end users/beneficiaries can get the most of the project.

INTRODUCTION

As part of the study for Karachi Transportation Improvement Project known as JICA Master Plan of 2012, a Karachi Urban Transport Master Plan (KUTMP 2030) was developed. KUTMP contemplates projects in road development and public transport subsectors. In road development, a total of 33 projects along arterial roads with total length of 306 km and maintenance of existing roads are considered. In public transport services provision, KUTMP identified key priority mass transit projects required to face Karachi's transport challenges and overcome the looming urban mobility crisis. KUTMP proposes the following mass transit investments:

- A. The revitalization of Karachi Circular Railway (KCR) on modern lines.
- B. 2 Mass Rapid Transit (MRT) corridors (Blue and Brown),
- C. 6 BRT corridors (Green, Red, Yellow, Orange, Aqua and Purple).

The Yellow BRT corridor is developed primarily along Korangi and Korangi Industrial Roads connecting Karachi's:

- (i) Southeastern suburbs (Korangi, Landhi, Bin Qasim) characterized for being large and dense industrial and residential areas,
- (ii) Southcentral districts (Clifton Cantonment, outer-Jamshed town) characterized by active and varied mixed land uses predominantly of residential and commercial types, and
- (iii) Central districts (Karachi Cantonment, inner-Jamshed town and Saddar) with thriving and dynamic commercial, institutional, residential, cultural, and religious activities coexisting at higher levels of activity and density.

Starting in Dawood Chowrangi in Landhi (southeast Karachi), the proposed corridor follows the alignments of the following:

1. Korangi Industrial Road (8000 road) from Dawood Chowrangi in Landhi to Jam Sadiq Bridge.
2. Korangi Road from KPT Interchange to FTC Interchange.
3. Shahrah-e-Faisal, from FTC Interchange to Shahrah-e-Quaideen.
4. Shahrah-e-Quaideen from Shahrah-e-Faisal to Kashmir Road intersection (integration point with the Red BRT Corridor).

1.1 Objective of the project (as per PCI)

The project's overarching objective is to improve mobility, accessibility and safety along the Yellow BRT corridor alignment. Key results that will measure the achievement of the project's objective are as follows:

- Increase of ridership in quality public transport system with emphasis on increasing women ridership.
- Reduction of travel time for public transport passengers.
- Improvement of accessibility to jobs.
- Reduction of road traffic fatalities, especially for pedestrians and motorcyclists.
- Reduction of CO2 emissions from transport sources.

1.2 Financing of the Project

The project is financed through multi-component financing facility, whereby World Bank (IBRD) will provide US \$ 382.40 million, Government of Sindh will contribute US \$ 19.00 million and Private Sector will contribute US \$ 37.50 million.

1.3 Responsible Agencies

Sponsoring Agencies:	Government of Sindh (GoS) World Bank (IBRD)
Executing Agency:	Transport and Mass Transit Department (T&MTD), Government of Sindh through Sindh Mass Transit Authority (SMTA).
Implementing Agency:	Sindh Mass Transit Authority (SMTA).

2. AUDIT OBJECTIVES

The major objectives of the audit were to:

- i. Review project's performance against intended objectives.
- ii. Assess whether project was managed with due regard to economy, efficiency, and effectiveness.
- iii. Review compliance with applicable rules, regulations and procedures.

3. AUDIT SCOPE AND METHODOLOGY

3.1 Audit Scope

- 3.1.1 To assess whether the matters/resources were being managed with regard to economy and efficiency and to review compliance with applicable rules, regulations and procedures for the Financial Year 2020-21.
- 3.1.2 The location of audit was Karachi.

3.2 Methodology

- 3.2.1 Review project's performance against intended objectives
- 3.2.2 Performing special audit procedures to assess efficiency, economy and effectiveness;
- 3.2.3 Evaluating results; and
- 3.2.4 Reporting

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Organization and Management

4.1.1 Non-hiring / recruitment of individual under Karachi Mobility Project

As per Section-I.A.3(a) of the Project Agreement, "SMTA shall establish, no later than one (1) month after the Effective Date, and thereafter maintain throughout the period of implementation of the Project, under the leadership of the Project Director, a team of experts (whether civil servants or consultants) in adequate number, each with terms of reference, qualifications and experience satisfactory to the Bank (the "Project Management Team"), as and when their expertise will be needed in the views of the Bank for the efficient management of Project and the achievement of its development objective". And

As per Section-I A 3(b)(ii) of the Project Agreement, "SMTA shall no later than one (1) month after the Effective Date, recruit a Project Director, an additional procurement and contract management specialist, a financial management specialist, a social management specialist, a gender specialist, an environmental specialist, a communication specialist, as well as engineers and technical staff as needed at that time".

During audit of the Karachi Mobility Project for the financial year 2020-21, it was observed that Project Agreement was signed dated: 26, November, 2019. However, except Project Director, no individual was hired / appointed under Karachi Mobility Project, in line with above mentioned section of the project agreement.

Thus, required institutional arrangement with regard to effective management for project implementation to achieve intended project objectives was not functionalized. The lapse indicates lack of professional commitment to the objectives of the Project.

Audit requires justification for not hiring individual within the given time line.

(OM # 01)

4.1.2 Non-availability NOC of Compensation and Livelihood Rehabilitation Plan

As per Section-I.C.1(b) of the Project Agreement, "all measures are taken to implement the Compensation and Livelihood Rehabilitation Plan in a manner and time frame satisfactory to the Bank. To this end, the Project Implementing Entity shall ensure that:

(ii) prior to carrying out activities which involve displacement, Affected Persons shall be compensated at full replacement cost, resettled and provided with resettlement assistance in accordance with the Compensation and Livelihood Rehabilitation Plan, as applicable; and

(iii) the implementation, monitoring and evaluation of such Compensation and Livelihood Rehabilitation Plan is completed and reported in a manner satisfactory to the Bank".

During audit of the Karachi Mobility Project for the financial year 2020-21, it was observed that Project Agreement was signed dated: 26, November, 2019. However, NOC of the Compensation and Livelihood Rehabilitation Plan along with detail of identified number

individual / affected persons in a manner and time frame satisfactory to the Bank was available on record.

Thus, required institutional arrangement with regard to effective management of project activities to achieve intended project objectives was not ensured. The lapse indicates lack of professional commitment to the objectives of the Project.

Audit recommends measure be taken to ensure compliance of project agreement.

(OM # 06)

4.1.3 Non-availability of PC-II (Surveys and Feasibility Studies)

According to Paragraph # 1.53 of Chapter 1 of the Manual of Development Projects, issued by Planning Commission of Pakistan, "PC-II is required for conducting surveys and feasibility studies, in respect of larger projects, intended to get full justification for undertaking the project before large resources are tied up with them". Further, as per Paragraph # 3.3 of Chapter 1 of the Manual of Development Projects "PC-II is prepared for undertaking a feasibility study in respect of a major projects estimated to cost Rs300 million or more. This is mandatory."

During audit of the Karachi Mobility Project for the financial year 2020-21, it was observed that PC-II of the project pertaining to surveys and feasibility study was not prepared / found available on record against the project PC-I valuing Rs61,436 million.

Audit is of view that due planning work was not carried out as one of the important document (PC-II) was missing while finalizing the project PC-I.

Audit requires justification with regards to non-availability of PC-II.

(OM # 08)

4.2 Financial Management

4.2.1 Non-preparation of annual work plan and budget

As per Section-I.D.2 of the Project Agreement, "The Project Implementing Entity shall furnish to the Bank, as soon as available, but in any case not later than April 30 of each year, the annual work plan and budget for the following year of the implementation of the Project and the evidences referred to in Section I.D.1 of this Schedule, for the Bank's review and approval; except for the annual work plan and budget for the Project for the first year of implementation of the Project, and the evidence which may be required for the implementation of the activities included in the draft annual work plan and budget for such period, which shall be furnished for the Bank's review and approval no later than one (1) month after the Effective Date".

Further, as per Section-I.D.3 of the Project Agreement, "The Project Implementing Entity shall, or shall cause SMTA to, ensure that:

(a) the Bank's comments are reflected in the final version of each annual work plan and budget; and

(b) once the annual work plan and budget has been approved by the Bank (once approved, an "Annual Work Plan and Budget"), the Project is carried out in accordance with the relevant Annual Work Plan and Budget, each year of implementation of the Project".

During audit of the Karachi Mobility Project for the financial year 2020-21, it was observed that an amount of Rs492,944,700 was received from world bank during financial year 2020-21. However, no annual work plan and budget was available on record in line with above mentioned section of the project agreement.

Thus, required arrangement with regard to effective financial management was not ensured. The lapse indicates lack of professional commitment with regard to running project in line with set framework.

Audit recommends measure be taken to ensure compliance of project agreement.

(OM #07)

4.2.2 Irregular expenditure on purchase of stationery, printing and miscellaneous petty items – Rs1.019 million

As per Para 148 of GFR Volume-I "All materials received should be examined, count, measured or weighed as the case may be, when delivery is taken, and they should be taken in charge by a responsible Government officer who should see that the quantities are correct and their quality good, and record a certificate to the effect. The officer receiving the store should also be required to give a certificate that he has actually received the material and recorded them in the appropriate stock register".

During audit of the Karachi Mobility Project for the financial year 2020-21, it was observed that an expenditure of Rs1.019 million was incurred on purchase stationery, printing and miscellaneous petty items in which following irregularities were noticed:

- Requisition of article was not available.
- Proper accountal and consumption record was not maintained.
- Acknowledgement receipt was not obtained.

Payee Name	Code	Description	SV.#	Date	Particulars	Amount
Three Star Scientific Company	A03901	Stationary	2490	29-12-20	Stationery Items	218,347
Three Star Scientific Company	A03901	Stationary	2505	22-3-21	Stationery Items	274,056
Universal Traders	A03902	Printing & Publication	51	24-5-21	Writing Pad, Letter Pad, File Folder	55,575
Universal Traders	A03902	Printing & Publication	68	27-5-21	Envelop, File Cover, Folder	27,284
Sami Trading Company	A03970	Others	4444	26-5-21	Miscellaneous Items	96,168
Sami Trading Company	A03970	Others	4453	1/6/2021	Miscellaneous Items	70,434
Sami Trading Company	A03970	Others	4445	14-6-21	Miscellaneous Items	85,514
Sami Trading Company	A03970	Others	4296	14-6-21	Miscellaneous Items	59,044
Sami Trading Company	A03970	Others	4454	10/6/2021	Miscellaneous Hardware Items	132,627
Total						1,019,049

Audit is of view that expenditure was incurred with observing codal formalities. The lapse indicates weak internal controls.

Audit recommends that measures be taken to ensure incurring expenditure by observing codal formalities and maintaining subsidiary record.

(OM # 11, 12)

4.3 Procurement and Contract Management

4.3.1 Non-hiring / recruitment of firm for infrastructure project management and firm for design, procurement and supervision of construction contracts

As per Section-I.A.3(c)(i) of the Project Agreement, "Without limitation to the provisions of Section I.A.3(a), no later than March 31, 2020, SMTA shall recruit firm on the basis of terms of reference, qualifications and experience satisfactory to the Bank to support SMTA for infrastructure project management".

As per Section-I.A.3(c)(ii) of the Project Agreement, "Without limitation to the provisions of Section I.A.3(a), no later than March 31, 2020, SMTA shall recruit a firm on the basis of terms of reference, qualifications and experience satisfactory to the Bank to support SMTA for the design, procurement and supervision of construction contracts and works for the Project".

During audit of the Karachi Mobility Project for the financial year 2020-21, it was observed that Project Agreement was signed dated: 26, November, 2019. However, no firm was hired / recruited for infrastructure project management, and firm for the design, procurement and supervision of construction contracts and works for Karachi Mobility Project, in line with above mentioned section of the project agreement.

Thus required arrangement with regard to effective management of the project was not ensured. The lapse indicates lack of professional commitment with regard to running project in line with set framework.

Audit recommends measure be taken to initiate project activities without further delay to ensure compliance of project agreement.

(OM # 02, 03)

4.4 Construction and Works

4.4.1 Non completion of planned activities

As per PC-I, Annexure-VIII. Implementation schedule of various project activities was provided as under

Activity Description	Start	Finish
Procurement of Design Consultant	01-Jan-2020	01-March-2020
Preparation of Detailed Engineering Design, Detailed Operations Plan and Financial Model, and other preparatory work	01-March-2020	01-March-2021
Bid Process for Selection of Contractor	01-March-2021	29-July-2021
Construction Contract Award	14-June-2021	29-July-2021

During audit of the Karachi Mobility Project for the financial year 2020-21, it was observed that most of the project activities as provided in above mention implementation schedule were remains unattended upto June-2021.

The lapse indicates lack of professional commitment to the objectives of the project and absence of the internal controls with regard to effective execution of project activities.

Audit recommends measure be taken to ensure initiation of project activities without further delay to meet time line of the project implementation.

(OM # 10)

4.5 Assets Management

4.5.1 Non-maintenance of Dead Stock Register / Fixed Asset Register

As per Rule 154 of General Financial Rules, Volume-I "An inventory of the dead stock should be maintained in all Government offices in a form prescribed by competent authority, showing the number received, the number disposed of (by transfer, sale loss etc), and the balance in hand for each kind of article".

During audit of the Karachi Mobility Project for the financial year 2020-21, it was observed that an expenditure of Rs1.961 million was incurred on purchase of physical assets as detailed below. However, proper dead stock register / fixed asset register for the same was not maintained.

Payee Name	Code	Description	SV#	Date	Particulars	Qty	Rate	Amount
S.D.S Brothers	A09201	Hardware	10332	03-05-21	Laptop Core-i 7	1	187,500	187,500
S.D.S Brothers	A09201	Hardware	10301	21-04-21	TCL 50 " TV	1	147,419	147,419
S.D.S Brothers	A09201	Hardware	10308	30-12-20	Laptop Core-i 7	1	187,500	187,500
							Sub-total	522,419
Universal Traders	A09701	Furniture & Fixture	17972	01-02-21	Executive Office Chair &	1	90,000	234,000
							1	140,000
Universal Traders	A09701	Furniture & Fixture	17982	31-03-21	Office Room Book shelf	3	82000	287,820
S.D.S Brothers	A09701	Furniture & Fixture	Nill	15-06-21	Executive Office Chair	3	51500	180,765
S.D.S Brothers	A09701	Furniture & Fixture	Nill	15-06-21	Installation & fixing of Office Room Glass door	2	110000	257,400
							Sub-total	959,985
S.D.S Brothers	A09601	Machinery & Equipment	10309	13-05-21	Haier Split A/C 2 Ton	1	158,695	158,695
S.D.S Brothers	A09601	Machinery & Equipment	10316	23-04-21	Haier Split inverter A/C 1.5 ton	1	124,020	124,020
S.D.S Brothers	A09601	Machinery & Equipment	10305	01-06-21	Haier Floor Standing A/C 2 ton	1	196,425	196,425
							Sub-total	479,140
							G-Total	1,961,544

The lapse on part of management indicates weak internal controls.

Audit recommends that measures be taken to ensure proper maintenance of dead stock register / fixed asset register. (OM # 13)

4.6 Monitoring & Evaluation

4.6.1 Non-hiring / recruitment of third-party monitoring firm

As per Section-I.A.3(c)(iii) of the Project Agreement, "Without limitation to the provisions of Section I.A.3(a), prior to the signing of the first civil work contract for the Project, the Project Implementing Entity shall recruit a third-party monitoring firm to implement a continuous program of result monitoring and evaluation".

Further, as per PC-I implementation plan time line for construction contract award was 14-June-2021 to 29-July-2021.

During audit of the Karachi Mobility Project for the financial year 2020-21, it was observed that Project Agreement was signed dated: 26, November, 2019. However, no firm was hired / recruited with regards to third-party monitoring to implement a continuous program of result monitoring and evaluation for Karachi Mobility Project, in line with above mentioned section of the project agreement.

Thus required arrangement with regard to effective monitoring of the project activities was not ensured. The lapse indicates lack of professional commitment with regard to running project in line with set framework.

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Audit recommends measure be taken to initiate project activities without further delay to ensure compliance of project agreement. (OM # 04)

4.6.2 Non-preparation of project monitoring and evaluation report

As per Section-II.A.1 of the Project Agreement, "The Project Implementing Entity shall, and shall cause SMTA to, monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of indicators acceptable to the Bank. Each such Project Report shall cover the period of one calendar six-month period and shall be furnished to the Borrower not later than one (1) month after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project Report."

During audit of the Karachi Mobility Project for the financial year 2020-21, it was observed that Project Agreement was signed dated: 26, November, 2019. However, project monitoring and evaluation report line with above mentioned section of the project agreement was not available on record.

Thus required arrangement with regard to effective monitoring of the project activities was not ensured. The lapse indicates lack of professional commitment with regard to running project in line with set framework.

Audit recommends measure be taken to ensure proper monitoring and initiation of project activities without further delay to meet time line of the project implementation. (OM # 05)

4

4.7. Compliance with loan covenants

4.

Covenants – The project is in initial phase, SMTA is ensuring to comply all the covenants of project loan.

4.

4.8 Environment

4.8.1 Non-conducting of Environment Impact Assessment

4.]

As per Section 17(1) of Sindh Environmental Protection Act, 2014, “No proponent of a project shall commence construction or operation unless he has filed with the Agency an initial environmental examination or environmental impact assessment, and has obtained from the Agency approval in respect thereof”.

4.1

During audit of the Karachi Mobility Project for the financial year 2020-21, it was observed that Project Agreement was signed with World Bank dated: 26, November, 2019 and PC-1 was Approved in December 2019, but neither the initial environmental examination or environmental impact assessment was conducted nor the approval of the same was obtained from the Sindh Environmental Protection Agency, in violation of above rule.

4.1

Thus compliance of laid down procedures / rules was not ensured. The lapse indicates lack of professional commitment, and absence of systemic internal controls.

Audit recommends that measure be taken to ensure compliance of related Rules. (OM # 09)

4.9 Sustainability

The establishment of the proper arrangements with regard to availability of the human, institutional and financial resources for the operations and maintenance of the BRT system will ensure sustainability of quality services delivered by private or public operators.

4.10 Overall Assessment

4.10.1 **Relevance:** The project is relevant considering poor public transport system in targeted areas of Karachi.

4.10.2 **Efficacy:** The project may prove to be useful in the sense that it would provide quality public transport system in targeted areas and improve mobility and quality of life for local residents.

4.10.3 **Efficiency:** Due to non-completion of activities within the planned time-lines the project may be delay in its completion as well as increase in its cost due to inflation.

4.10.4 **Economy:** Contract with regard to civil work, supervision and monitoring of the project was not awarded up to financial year 2020-21.

4.10.5 **Effectiveness:** Since the project is not found in line with the pace of its scheduled implementation, therefore, there is a risk with regard to successful achievement of conceived project objectives with in the stipulated time.

4.10.6 **Compliance with Rules:** Compliance with rules and regulations was made except the deviations as pointed out in this report.

4.10.7 **Performance Rating of Project**

a. Un Satisfactory

4.10.8 **Risk Rating of Project**

a. Medium

5. FOLLOW UP OF PRIOR AUDIT RECOMMENDATIONS

It is the first audit of the financial statements of Karachi Mobility Project IBRD Loan No. 8995-PK for the year ended June 30, 2021, thus there were no prior audit observation on the entity.

6. CONCLUSION:

We have completed our audit of the financial statements of Karachi Mobility Project IBRD Loan No. 8995-PK for the year ended June 30, 2021. In planning and performing our audit of the financial statements of the project, we considered internal controls and other issues for the purpose of expressing our opinion on the financial statements.

During audit we pointed out certain observations with regard to non-functioning of project within the set organization and management framework, non-maintenance of dead stock / fixed assets register, non-functioning / non-existence of monitoring & evaluation mechanism, non-completion of planned activities, non-conducting of environmental impact assessment.

Audit findings indicate the need for adherence to the regulatory framework besides instituting and strengthening internal controls in order to avoid irregularities and to utilize the funds in a manner in line with the principles of economy, efficiency, transparency to achieve the intended purpose.

5.1 Key issues for the future:

- Non-functioning of project within the set organization & management framework.
- Non-completion of planned activities within the time line.
- Non-functioning / non-existence of monitoring & evaluation mechanism.

5.2 Recommendations

- Effective measures be taken to functionalize project in line with organization & management framework.
- Effective measures be taken in order to initiate project activities in line with project implementation schedule.
- Establishing proper monitoring & evaluation setup in line with project agreement.
- Strengthening internal controls to increase the performance and efficiency of the project as end users/beneficiaries can get the most of the project.

ACKNOWLEDGEMENT

We wish to express our appreciation to the Management and staff of Karachi Mobility Project for the assistance and cooperation extended to the auditors during this assignment.